



# Government's Role In Domestic Business

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Business Essentials



# How Government is Funded

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- Collect **taxes** to help run the nation, state, county, city, or town.
  - Property taxes, Income taxes, Sales taxes, Vehicle taxes, Capital Gains taxes, etc.
  - Taxes don't always **cover the expenses**.
- Most U.S. Citizens pay the equivalent of 4 months worth of income in taxes each year. Essentially means you're working 4 months for free.



# How Government Regulates Business

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- One of the most important roles of the government is to foster **economic success** (help businesses make money).
  - However, it also tries to aid in the quality of life of its citizens.
- Governments must help ensure its people are not **abused** by businesses
  - To fulfill these duties, local, state, and federal governments pass laws to **promote** and **regulate business**



# Difference Between Interstate and Intrastate Commerce

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- Federal Government oversees **Interstate Commerce** which is business that takes place between states
- State Government oversees **Intrastate Commerce** which is business that takes place within a state



# Government Protecting Business

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- **Laws govern the working** of the economy. These laws regulate the production process and protect competition, business agreements, and creative properties.
- Companies that break the law can be **fined, sued, or forced to close.**
  - People who don't follow the rules also face penalties



# Government Protecting Competition

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- The U.S. Government passes **antitrust laws** to promote domestic competition.
  - Antitrust laws allow the federal government to break up **monopolies**, regulate them, or take control of them.
- A Monopoly occurs when **one company** controls an industry or is the only one to offer a product or service.
  - Companies can form a monopoly by establishing a **Trust** – meaning a **group of companies** that band together to form a monopoly and cut out competition



# Who Enforces Antitrust Laws?

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- The **Federal Trade Commission** (FTC) enforces antitrust laws.

[FTC and Antitrust Laws Cartoon](#)



# Partner Activity

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- The Standard Oil Monopoly

[Video](#)



# Government Protecting Business Agreements

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- One of the most basic ways government protects business is by enforcing **Contracts**.
  - A Contract is a legally **enforceable agreement** between two or more parties. It can be **written**, **verbal**, or even formed over a **handshake**.
- When one party fails to live up to the terms of the contract a **Breach of Contract** has occurred.
  - It is always easier to prove a breach of contract has occurred when there is a **written** agreement.



# Government Protecting Creative Properties

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- Laws also protect the right to own **creative properties**.
- Creative properties, items such as inventions and art, can be protected with a copyright, a patent, or a trademark.




# Creative Properties

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- A Copyright gives artists the legal right to **own their creations**.
  - I.E. If you own a copyright to a song, others who want to use your song and/or lyrics must get your permission beforehand.
  - Copyrights usually last until **70** years after the owner's death.

# Creative Properties

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- A Patent is a legal grant for the sole right to **own an invention**.
  - No one can copy a patented product or process without permission for **20** years after the inventor filed his/her application with the **US Patent and Trademark Office**
- A Trademark is a **name**, a **symbol**, or a **characteristic** that identifies a product.
  - Trademarks are protected from being copied if they're **registered appropriately** with the government.
  - Only the **owner** of the trademark can legally use it (i.e. )



# Trademark Dispute Video

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Sambucks vs Starbucks



# Partner Activity

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- Using [www.google.com](http://www.google.com), research a case involving copyright, patent, and/or trademark infringements (violations).
  - Look through the returned search links and summarize an court case on a separate sheet of notebook paper.
  - Be prepared to present your findings to the class.

15 minutes



# Regulating The Production Process

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- The government also enacts laws that regulate the amount of **waste** that factories can **discharge into the environment**.
- Worker protection laws impose **safety requirements** and **work procedures** and regulate **minimum wage**.
- The **Food and Drug Administration** (FDA) regulates the manufacture and sale of drugs in the US. [When things go bad...](#)



# Discussion Questions

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- Why does our government want businesses to succeed?
- How is competition a form of consumer protection?
- Does Microsoft have a monopoly?





# Government's Role in Society

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- The Government provides:
  - Key goods and services to the public
  - Incentives to businesses and people
  - Jobs and distribution of income for Americans



# Providing Goods and Services

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- The Government is the **largest provider** of services in the country.
  - The government provides services to the **public** as a whole for the good of the society (i.e. National Defense).
- **Public goods** and services are items provided by gov't and paid for by **taxes**.
  - The cost of providing public goods and services are **high**.
    - Taxes and other forms of revenue can't always cover expenses. Must find money somewhere!



# Privatization of Public Goods or Services

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- Privatization occurs when a business offers a **public good or service**.
  - In most cases, the gov't receives money from the company giving them the legal "**rights**" to provide the good or service (remember Chicago's Skyway).
  - Sometimes, this can lead to problems due to the "profit motive" of businesses.

[Privatizing Road Video - 4 min](#)



# Other Government Roles

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## ○ Transfer Payments

- Unemployment, Social Security, and Veteran's Benefits are all transfer payment by the government to improve **quality of life** and ensure people have money when they **need it most**.
- This has its pitfalls as many individuals **abuse** this system. This strains the economy and handcuffs those dependent on the transfer payments.

[Welfare Fraud  
Case 1 Video](#)

[Welfare Fraud  
Case 2 Video](#)



# Other Government Roles

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## ○ Employment

- The gov't is the largest **employer** in the U.S. (roughly 3 million employed).
  - Teachers, firefighters, mayors, congress, etc. are all **public workers**.

## ○ Consuming Goods and Services

- Largest **consumer** of goods and services.
- The gov't **must buy** goods and services just as other business must do.



# Other Government Roles...

## Supporting Businesses

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- **Small Business Administration (SBA)**
  - Agency that encourages development of small businesses. Offers **loans**, **training**, and other **resources** to small businesses.
- **Subsidies**
  - **Money** (grants) **given** to producers or consumers to encourage certain economical behaviors. Helps businesses be more competitive internationally and is usually given to industries considered to **benefit the public** (agriculture).



# Other Government Roles...

## Providing Tax Incentives

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- Gov't may offer tax incentives to encourage or discourage a business **activity**.
  - A tax incentive is a **temporary reduction** or even **elimination** of a tax.
  - A tax break is a special tax benefit given to promote specific **economic** or **social objectives** (new house credit).
  - Tax deductions are given to encourage things like **charitable donations**.

[Michigan Lithium Batteries Tax Incentive Video](#) – 4 Min



# Other Government Roles...

## Providing Tax Incentives

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- The gov't may also try to **discourage certain behaviors.**
  - For example, taxes on **cigarettes** have increased dramatically in hopes that people will stop smoking.
  - Smoking increases health risks which drains our economy of unnecessary resources.